

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S
ADMINISTRATION OF LEE COUNTY'S ADULT
EDUCATION GRANTS FROM THE COUNCIL ON
POSTSECONDARY EDUCATION AND KENTUCKY
ADULT EDUCATION**

**For The Period
July 1, 2008 Through June 30, 2009**



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September 14, 2010

Reecie Stagnolia, Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Jeff Hawkins, Director
Kentucky Valley Educational Cooperative
One Community College Drive
Jolly Classroom Bldg, Suite 107
Hazard, KY 41701

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Hawkins:

This report contains the results of the performance audit of Kentucky Valley Educational Cooperative's administration of Lee County's adult education grant for the fiscal year (FY) ending June 30, 2009. The Council on Postsecondary Education and Kentucky Adult Education contracted with this office to conduct performance audits of selected local adult education programs. This report represents our findings, recommendations, and the program's responses.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".
Crit Luallen

Auditor of Public Accounts

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AS OF JUNE 30, 2009**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Lee County adult education program for a limited scope performance audit of its adult education grant. The Kentucky Valley Educational Cooperative is responsible for the administration of this grant. An on-site review was conducted on April 21, 2010 through April 22, 2010, to address the following objectives:

- Determine whether the local program's expenditures comply with the terms of their grant agreement and reconcile to invoices submitted.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local program's professional development activities comply with the FY 2008-2009 professional development policies and procedures.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the local program's grant proposal and final agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements.

Below is the summary of findings:

FINDINGS SUMMARY

| Finding | Disallowed Costs |
|---|-------------------------|
| An expenditure for phone services was paid in excess of the amount due, creating a balance with the vendor. | N/A |

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

The KYAE-10 Expenditure Reports were compared to the line item budget approved in the final agreement. This comparison was used to determine whether the program's reimbursements complied with the approved budget.

The KYAE-10 Expenditure Reports were then compared to the local program's internally generated financial records. This comparison was used to determine whether the program's accounting records support the total amount requested for reimbursement on the KYAE-10 Expenditure Reports.

Findings

No exceptions were noted.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of 41 participants were selected randomly from the electronic student data sent from KYAE. Documentation maintained in the participant files was compared to the electronic student data. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives reported to KYAE.
- Other requirements based upon the applicable program requirements.

The participants tested received services during the period from July 1, 2008 through June 30, 2009.

Findings

No exceptions were noted.

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of payroll disbursements was judgmentally selected for payroll testing. Documentation of hours worked was examined for existence and approval. Personnel files were examined to verify that staff had received the required professional development training hours and had the proper educational credentials required for their position.

Findings

No exceptions were noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 9 expenditures, representing at least 20 percent of the total purchases, was selected judgmentally from the detailed general ledger. These expenditures were tested for authorization/approval, supporting documentation, and proper recording. We also verified that the expenditures were made during the grant period from July 1, 2008 through June 30, 2009.

Findings

An expenditure for phone services was paid in excess of the amount due, creating a balance with the vendor. This practice could result in the reimbursement of expenditures that were not actually incurred during the current grant period.

Recommendations

We recommend that payments made to vendors be made in the amount of the costs actually incurred.

Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related the finding. Program management was given a reasonable amount of time to adequately respond to this request.]

Kentucky Valley Educational Cooperative Adult Education in years past had been penalized several hundred dollars per county in late fees for operational expenses such as phone bills, internet bills, water bills, and copier bills. Due to the operational expense payment procedure at that time, our organization could not pay any bills until payment was approved by the KVEC Board. To avoid these penalties, an additional amount above each bill was sent to prevent late charges on utilities. However, during an organization audit this year it was determined that this practice was not acceptable and KVEC stopped the practice immediately. During the current Adult Education audit, records show those payments that were made prior to stopping the practice. We accept the recommendation and have implemented procedures acceptable to both audits.

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PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE

Scope and Methodology

Professional development expenditures were tested for proper authorization, supporting documentation, and adherence to approved rates and reimbursement policies. A sample of 5 expenditures, representing at least 20 percent of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions were noted.

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Kentucky Valley Educational Cooperative's Program Director was given an Internal Control Questionnaire regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The questionnaire was completed by the program director and/or the fiscal administrator and reviewed by the audit team for any significant control deficiencies.

Findings

No significant control deficiencies were noted.